

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 03 HANOI 003214

SIPDIS

SENSITIVE

DEPT FOR EAP/MLS  
DEPT PASS USAID VIETNAM DESK

E.O. 12958: N/A

TAGS: [ETRD](#) [EFIN](#) [E Aid](#) [KHIV](#) [VM](#) [HIV](#) [AIDS](#) [FINREF](#) [AFLU](#) [WTO](#)  
SUBJECT: VU KHOAN ANSWERS QUESTIONS FROM HEADS OF MISSION  
IN PREPARATION FOR CONSULTATIVE GROUP MEETING

SENSITIVE BUT UNCLASSIFIED

1. (SBU) Summary: Deputy Prime Minister Vu Khoan raised the following points while answering questions from thirty heads of mission and donor representatives at a meeting held December 1 in preparation for the December 6-7 Consultative Group (CG) Meeting. One of the dramatic developments in Vietnam has been the recent growth in the power of elected bodies. Although there is an implementation gap on policies to improve the investment climate, the Government of Vietnam (GVN) is working to address the issue, including by passing the Common Investment Law (CIL). Reforms will continue as Vietnam works towards WTO accession. Prime Minister Phan Van Khai heads the newly created National Committee responsible for dealing with corruption. The committee's initial focus will be crafting an action plan to address the issues raised in a recently released survey conducted with the Swedish Government. The fight against HIV/AIDS continues to be a Government priority, as is creating favorable conditions for women in society. End Summary.

2. (SBU) Asked by the British Ambassador what the Vietnamese Communist Party will look like in ten years, DPM Vu Khoan began by stating that one of the dramatic changes that has occurred in Vietnam is the tremendous growth in the power of elected bodies. While in the past the Government's actions were directed by the Party, now that power rests with the National Assembly. The Party no longer intervenes in the actions of the National Assembly or the affairs of the Government. Citing personal experience, Khoan said that there is a clear distinction between his duties as DPM and as Secretary of the Party Secretariat. Laws and decrees now regulate his actions as

SIPDIS

DPM, rather than directions from the Party, as was previously the case. The Party itself is subject to the law, he stressed.

3. (SBU) As an example of the role of the Party, DPM Khoan cited the fight against HIV/AIDS, which is an affair of the State and Government. The Party Secretariat issued instructions on this issue because of the need to mobilize the entire country in fighting the disease, but this measure does not undercut the role of the Government. The same approach is needed to fight against Avian Influenza, he said.

The Financial Sector

4. (SBU) In response to the Dutch Ambassador's call for accelerated financial sector reform, DPM Khoan said that financial sector reforms have not kept pace with Vietnam's rapid economic growth. Power, infrastructure and banking are three sectors that are not meeting demand. That said, there have been significant fiscal reforms achieved in the past twenty years.

5. (SBU) One fundamental change is that the National Assembly, and not the Government, now controls the State budget, DPM Khoan said. This change is also reflected at the provincial level, and requires better management and oversight by legislative bodies at all levels. There is some overlap between the banking and financial sectors, and Vietnam needs to strengthen its State Bank. Revenues from taxes on the private sector provide 27 percent of the State budget's funds. This share is expected to rise to 34 percent in the next five years. Modern financing instruments, such as portfolio investment, are now available. But these measures are not enough to fund Vietnam's growth. The Government recognizes that further changes are needed, and the next five-year plan stresses completing the transition to a market-driven economy. The Ministry of Finance (MOF) and the State Bank have developed guidelines on implementing financial sector reforms, and these will be carried out.

Investment

-----  
16. (SBU) The Canadian Ambassador pointed out that investors sometimes face difficulties in Vietnam because new policies are often not carried out at the working level.

17. (SBU) DPM Khoan acknowledged that there is a gap between the will of the political leadership and implementation at the grassroots level. This problem is not peculiar to Vietnam, he said, and the interests of local people must be taken into account. To address the problem, the GVN has increased the oversight role of the central authorities, especially on the issue of law implementation. While previously this involved only the Government, now bodies both at the National Assembly and People's Committee levels have been established to deal with the issue. The GVN has tried to decentralize responsibility for implementation, and to make local authorities responsible. To accelerate this change, the Government plans to make a major policy decision on local accountability and investment decentralization, and is waiting for the National Assembly to pass the Common Investment Law (CIL). (Note: the National Assembly passed the CIL on November 26. End note). Finally, the Government is trying to harmonize the regulatory framework at the central and local levels, a subject discussed by the National Assembly at its last session.

18. (SBU) The EC representative pointed out that in the past, investment licenses required that 80 percent of the manufactured product be exported, meaning that the exports were not market driven and leaving Vietnam open to fair trade remedies. DPM Khoan responded that under the new CIL, investment licenses will not be required, and there will be no requirement for export quotas. All enterprises, including those already established, will operate under the CIL.

19. (SBU) The Australian Ambassador commented that although the new CIL reflects most of the changes desired by the private sector, concerns remain about the registration and evaluation systems. DPM Khoan answered that Vietnam will continue with the consultation process to meet all concerns. He said that although the law cannot be changed, it is possible to address the remaining issues in the implementing regulations.

110. (SBU) DPM Khoan said that land and property issues are some of the most complicated in Vietnam. He conceded that although the Land Law has been repeatedly amended, more efforts are needed to establish a viable real estate market.

#### WTO AND REFORMS

-----

111. (SBU) In response to a question from the Swiss Ambassador, DPM Khoan said that there are many reasons for Vietnam to join the WTO, including accelerating the reform process. While the leadership is aware that Vietnam will not be able to accede this year, the National Assembly (NA) continues its reform work. Although some NA members believe that this process should not be undertaken so quickly, the Government has convinced the NA leadership to support it in the accession effort.

#### CORRUPTION

-----

112. (SBU) Noting the recently released corruption survey, the Swedish Ambassador asked the DPM how Vietnam plans to move forward to address this problem. DPM Khoan thanked Sweden for its cooperation with the survey. He noted that the study is attracting much attention in the mass media because corruption is a concern to all members of society, and because this was the first time that Vietnam collaborated with another country to study an issue of such importance. The Prime Minister leads the National Committee responsible for dealing with corruption. DPM Khoan said that he anticipates the new anti-corruption law will be implemented rigorously, and that the Government will develop a plan of action in early 2006.

#### SOCIAL AND HEALTH ISSUES: HIV/AIDS AND GIRLS' EDUCATION

-----

113. (SBU) Ambassador Marine expressed concern that there is increasing complacency on HIV/AIDS prevention, and that prevalence rates are rising. DPM Khoan responded that HIV/AIDS prevention is still a great concern, and that it is essential to raise awareness regarding HIV/AIDS through public campaigns. A second measure is to provide needles to intravenous drug users, and condoms to migrant populations. He said 70 percent of this population already receives free condoms. A third measure is to integrate people living with HIV/AIDS (PLWHA) into the community,

noting that a recent exhibit on PLWHA was well attended. He added that a pilot detox program in Ho Chi Minh City has yielded encouraging interim results, though a more thorough assessment needs to be done.

14. (SBU) The UNDP representative said that two critical issues are: a recent survey that shows Vietnamese women to be less optimistic about the future and their prospects than men; and the poor access to schooling for migrant children. DPM Khoan responded that he was not familiar with the survey, but that in his opinion, the Government has policies to prevent discrimination and create favorable conditions for women. As an example, he said that the ratio of women at the central and leadership levels at the next Party Congress is expected to reach 50 percent. Companies, on the other hand, may hesitate to hire women because of increased costs for social benefits, especially for married women of childbearing age. Tradition can influence hiring decisions, and result in fewer educational opportunities for girls.

MARINE